

7.0 Compensation Approach

The purpose of this section is to explain SDU Service Provider (SP) compensation. The bidders shall take this information into account when completing the Compensation Rate Schedule in accordance with the instructions in RFP Section 8.6.1 Division 5 – Financial Response.

The SDU Compensation Approach that will be used for this procurement is a performance based approach. This Compensation Approach ties the SP compensation to business services (collections and disbursements) and performance (transactions). Performance is generally measured by the number of successfully processed collection and disbursement transactions. With this Compensation Approach the SP will be compensated on a per transaction basis. Additionally, the SP will be entitled to “Other Compensation” for Help Desk and Non IV-D Customer Service Center services. The SP will also be eligible to receive a one time Implementation payment and a one time Turnover payment as defined in this RFP. These one time payments are payable to the SP upon State acceptance of the SDU Implementation Assessment Review (IAR) Report and the Turnover Activity Completion Report. **During the initial implementation phase no transactions will be processed and therefore no compensation shall be paid including “Other Compensation” and no reimbursements shall be paid. Compensation and reimbursements shall only be paid during SDU Operations.**

The SP shall only propose rates per transaction and one time payments as described in the instructions in this RFP. The rates and payments bid per transaction and one time payments shall be for all services provided and required in this RFP. The exception is postage, which is a reimbursable item. Therefore, postage fees are not to be incorporated into the transaction rates bid for Collections, Disbursements or Other Compensation.

The SDU Compensation Approach also concerns the quality of SP Services. Service Level Objectives (SLOs) have been established to measure timely quality performance that will result in monthly adjustments to the SP’s compensation when these SLOs are not met. The Service Level Objectives measure performance on a daily per transaction basis. Additionally, management performance will be measured using a Balanced Scorecard (BSC) assessment. The Balanced Scorecard will be used to evaluate the overall SP’s performance on a quarterly basis and rate areas generally not covered by monthly adjusted SLOs. If performance deficiencies are found and rated unsatisfactory, adjustments shall be made to the SP’s compensation for that month.

7.1 Compensation Rate Schedule

The SDU SP shall be compensated for all services provided using the Compensation Rate Schedule Exhibit 8N. The Compensation Rate Schedule is designed to ensure that CCSAS Project risks and benefits are shared and the risks are mitigated. The bidder shall use RFP Exhibit 8N Compensation Rate Schedule to bid a rate per transaction and a volume variance for all SDU Services. RFP Exhibit 8N Compensation Rate Schedule must be included as a part of the bidder's Financial Response in Volume 2.

The RFP Exhibit 7A Compensation Rate Schedule Example illustrates how transaction based compensation is determined for the SP. The compensation rates and volumes shown in the RFP Exhibit 7A Compensation Rate Schedule Example are not intended to resemble or suggest actual rates and volumes. They are only shown as an example for calculation purposes. The Compensation Rate Schedule contains three parts.

Part 1 of the Compensation Rate Schedule concerns monthly collection and disbursement compensation, reimbursements and the one time payments for Implementation and Turnover which together comprise Baseline Compensation. Baseline Compensation is the maximum amount available for payment to the SP in a month, including reimbursements for postage. Baseline Compensation is calculated each month based on the actual volumes processed during the month times the applicable rate bid for that payment period. **SP shall not receive Baseline Compensation prior to SDU Operations.** For compensation purposes, SDU Operations shall mean when the first child support payment transaction is processed for either collections or disbursements and after the State has accepted the SDU Operational Readiness Assessment and Review Report. If no Baseline Compensation transactions as defined in this RFP have been processed during SDU Operations, no compensation is payable.

Baseline Compensation for each month of the contract shall be paid in an amount equal to the monthly volume times the applicable rate for the month. Applicable rates shall be set for each six month payment period of SDU operation. For Collections, three baseline transaction rates shall be bid, one each for credit card, electronic fund transfer and paper check type payment transactions for each six month payment period. For Disbursements, one baseline transaction rate shall be bid for all types of disbursements for each six month payment period. Different rates may be bid for each six month period. These rates shall be based on the Collections and Disbursements volumes provided by the State. The SP may bid additional rates for variances from these volumes up to a maximum and down to a minimum level. During the first 18 months of SDU Operations the applicable transaction rate for Collections and Disbursements shall be the baseline rate and no rates for volume variances shall be considered. During the next six month period the applicable Collection and Disbursement transaction rates shall be the rate that corresponds to the average of the actual volumes processed during the twelve months immediately proceeding that six month payment period. Each

succeeding six month payment period shall use the Collections and Disbursement transactions rate that corresponds to the volumes experienced during the twelve prior months.

Part 2 of the Compensation Rate Schedule concerns Help Desk and Non IV-D Customer Service Center services for which the SP will receive "Other Compensation" on a per transaction basis. **SP shall not receive Other Compensation prior to SDU Operations.** For compensation purposes, SDU Operations shall mean when the first child support payment transaction is processed for either collections or disbursements and after the State has accepted the SDU Operational Readiness Assessment and Review Report. If no Other Compensation transactions as defined in this RFP have been processed during SDU Operations, no compensation is payable. Separate transaction rates shall be bid for Help Desk and Non IV-D Customer Service Center services. These rates shall be based on the Help Desk and Non IV-D Customer Service Center Volumes provided by the SP.

For Help Desk services, the SP shall bid a baseline transaction rate for each six month payment period during SDU Operations. The SP may bid different rates for each six month payment period and additional rates for variances from the volumes provided up to a maximum and down to a minimum level. During the first 18 months of SDU Operations the applicable transaction rate for Help Desk compensation shall be the baseline rate and no rates for volume variances shall be considered. During the next six month period the applicable Help Desk transaction rate for compensation purposes shall be the rate that corresponds to the actual volumes processed during the twelve months immediately preceding that six month payment period. Each succeeding six month payment period shall use the Help Desk transaction rate that corresponds to the volumes experienced during the twelve prior months.

For the Non IV-D Customer Service Center services the SP shall bid a baseline transaction rate for three six month payment periods (18 months). The SP may bid different rates for each six month payment period and additional rates for variances from the volumes provided up to a maximum and down to a minimum level. The SP shall not bid more than 18 consecutive months of Non IV-D Customer Service Center services beginning with SDU Operations. During SDU Operations, the applicable transaction rate for Non IV-D Customer Service Center compensation shall be the rate that corresponds to the actual volumes processed during the six month payment period.

Part 3 of the Compensation Rate Schedule concerns the Service Level Objective (SLO) adjustments. Service Level Objectives are performance standards used to measure quality based on compliance with selected performance requirements stated in RFP Section 6 Statements of Work. Selected SLOs shall be used as reflected in the Compensation Rate Schedule Exhibit 8N to offset monthly compensation when performance is not met. The SP shall bid one rate for each of the selected SLOs for each six month payment period during SDU operations. The SP may bid different rates for each six month period.

7.1.1 Baseline Compensation

Baseline Compensation is the amount payable to the SP each month, including reimbursements, before offsets. Business transactions will be processed by the SP each month consisting of both collections, including all three types of payments, and disbursements. The SP will be eligible for a one time Implementation payment and a one time Turnover payment that is considered a part of the Baseline Compensation. Together the transactions, reimbursements, and the Implementation and Turnover payments, if applicable, are used to compute the Baseline Compensation amount available for compensation for a month. The estimated volumes from Tables 7-1 and 7-2 are provided for SP use in preparing the rates bid for Collection and Disbursement transactions.

7.1.1.1 Implementation Payment

The state shall make two Implementation Payments to the Service Provider. The first Implementation Payment, in the amount of \$12,246,932.00 shall become payable upon Service Provider invoicing after demonstrated SDU operational readiness as determined by State acceptance of CDL IM 016 SDU Implementation Assessment Review Report for Implementation 1. The Second Implementation Payment, not to exceed the amount of \$1,772,331.00, shall become payable upon Service Provider invoicing after demonstrated SDU operation readiness as determined by State acceptance of CDL IM 016 SDU Implementation Assessment Review Report for Implementation 2. The checklist related to this CDL IM 016 SDU Implementation Assessment Review Report for Implementation of CSE Version 1.3 shall only contain readiness items related to the changes contained in this Change Order unless otherwise agreed upon by the parties. The Second Implementation Payment includes a budgeted amount for implementation phasing costs. The SP shall invoice for implementation phasing costs actually accrued, not to exceed \$939,885.00 (updated per CR-3-00032)

7.1.1.2 Turnover Payment

The SP will be compensated for a one time Turnover payment upon execution and State acceptance of CDL IM 011 the Turnover Activity Completion Report. SP compensation is payable only in the event of execution of the Turnover services, and State acceptance of the Turnover Activity Completion Report. The amount of compensation received shall be the amount bid for the one time Turnover payment within the Baseline Compensation Section of the Compensation Rate Schedule. The bidder should consider all required Turnover services to be provided (except those services to deliver the required Turnover Plans) in computing the bid amount.

7.1.1.3 Collection Transactions

All child support payments received and processed by the SDU either by mail or electronically become collection transactions upon processing. Collection transactions are the unit of measurement used to account for services performed by the SP to earn compensation. Figure 7-1 shows that a single payment received from an employer could represent multiple collection transactions when identifying information is supplied by an employer and transmitted to the CSE. For example, one payment from an employer containing multiple employee withholdings would equal many collection transactions upon processing and transmitting to the CSE. A single payment received with no information indicating a multiple payment will be treated as a single collection transaction upon processing and transmitting to the CSE.

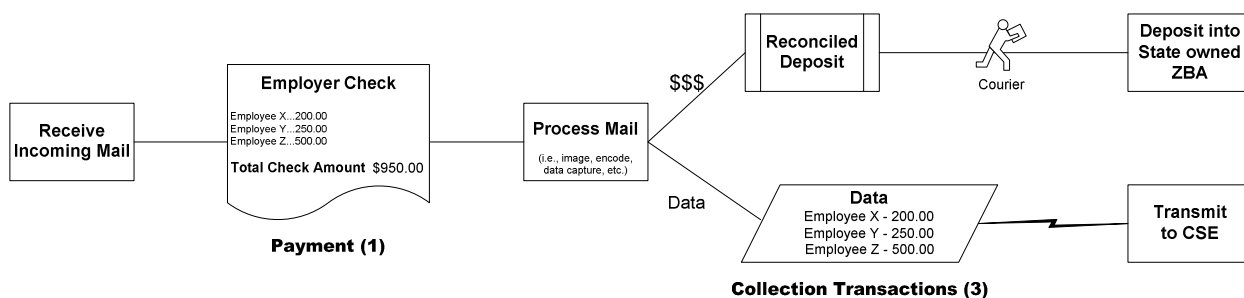


Figure 7-1, Payment to Collection Transaction relationship (e.g., 1 to many)

A payment received from a payor or an employer with a single obligation noted, will be treated like a single collection transaction upon processing and transmitting to the CSE, refer to figure 7-2.

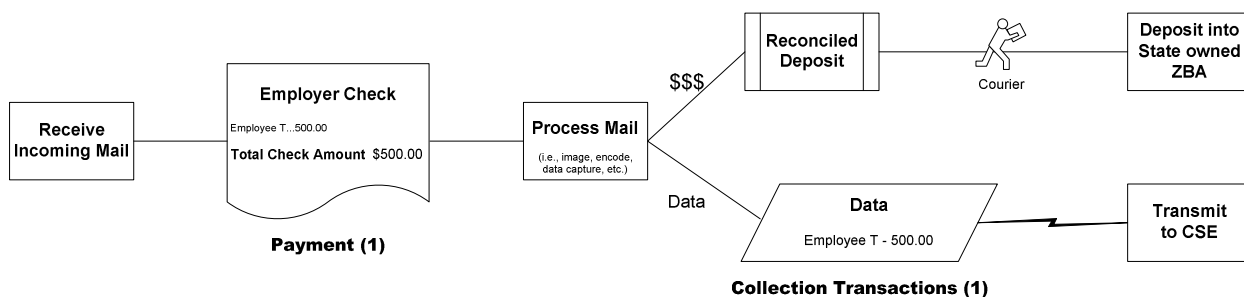
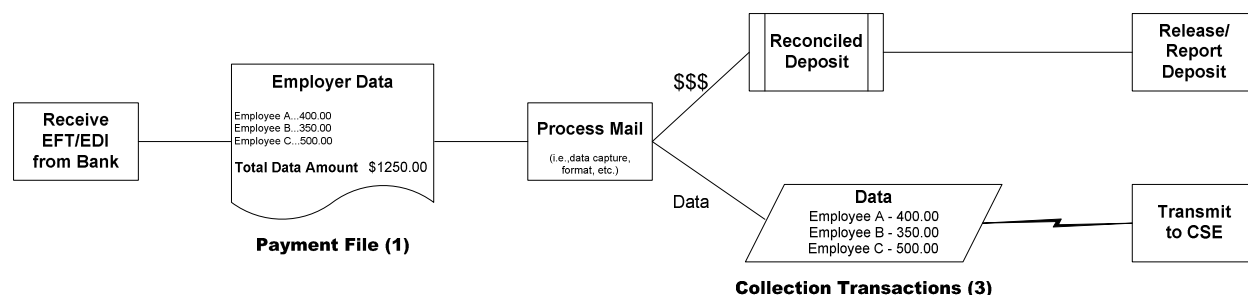


Figure 7-2, Payment to Collection Transaction relationship (e.g., 1 to 1)

The term collection transaction refers to both paper and electronic payments received and processed. Collection transactions relationships remain the same whether paper or electronic; refer to Figure 7-3 for Electronic Payments relationship to Collection Transactions.



**Figure 7-3, Electronic Payment to Collection Transaction relationship
(e.g., 1 to many)**

Throughout the day collection transactions will be processed and transmitted to the CSE. Performance is measured at the collection transaction level. Compensation for processing collection transactions shall be on a “per collection transaction” basis for each transaction successfully delivered to the CSE. The bidder is responsible for all activities associated with the timely processing, banking and reporting of the child support payments. This includes the generation and transmission of collection transaction data to the CSE. Refer to RFP Section 4 Description of SDU Business Solution and RFP Section 6 Statements of Work for collection processing activities and services. In RFP Section 8.5.5.6 Division 2.6 – Collections requires the bidders to define and describe the approach and method for collection processing activities in its proposal response.

Compensation is calculated on the reported number of processed collection transactions successfully transmitted to the State times the rate bid per transaction. The SP, on a monthly basis, will submit an invoice to the State for compensation.

7.1.1.4 Disbursement Transactions

All disbursement instructions received and executed become disbursement transactions upon disbursing child support payments. Disbursement transactions are the unit of measurement used to account for services performed by the SP to earn compensation. Refer to figure 7-4 for the relationship of disbursement instructions to disbursement transactions. Disbursement instructions received to disbursement transactions have a one to one relationship for earning potential.

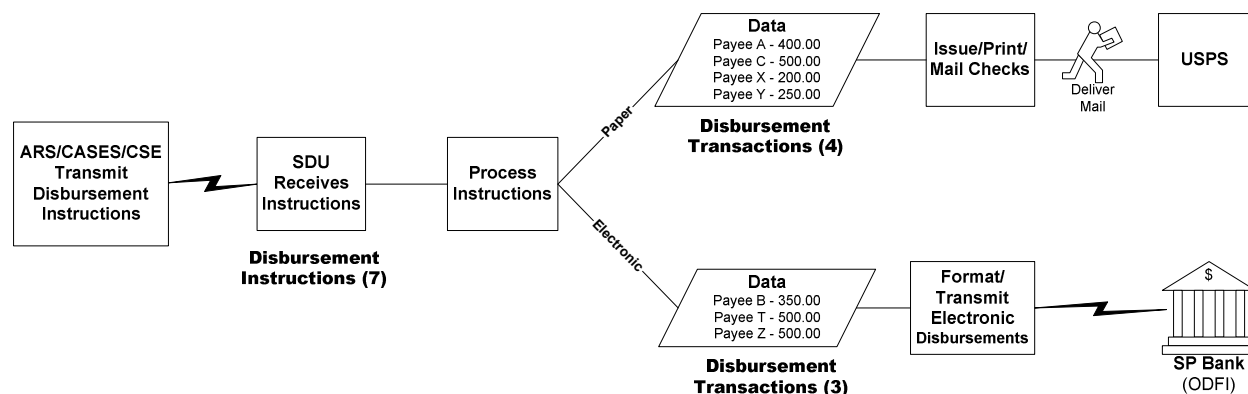


Figure 7-4, Disbursement Instructions to Disbursement Transactions relationship (e.g., 1 to 1)

The bidder is responsible for all activities associated with the timely disbursing of payments by mail or by electronic commerce according to the disbursement instructions received from the State. This includes the timely transmission of disbursement status information to the appropriate source (e.g., ARS, CASES, CSE).

Throughout the day disbursement instructions will be processed and payments issued. Performance is measured at the disbursement transaction level. Compensation for processing disbursement transactions shall be on a “per disbursement transaction” basis for each successfully executed transaction from the State. The bidder is responsible for all activities associated with the timely receiving, processing, executing and reporting of the child support disbursements. Refer to RFP Section 4 Description of SDU Business Solution and RFP Section 6 Statements of Work DB 1.0 Disbursement Services for disbursement processing activities. In RFP Section 8.4.5.2 Division 2.2 Operational Concept requires QBP’s to include a description of their disbursement processing activities in Division 2.2.6 Disbursement of their proposal response.

Compensation is calculated on the reported number of successfully executed disbursement transactions times the rate bid per transaction. The SP, on a monthly basis, will submit an invoice to the State for compensation.

7.1.2 Other Compensation

The SP will be entitled to “Other Compensation” defined as Help Desk closed tickets and Non IV-D Customer Service Center resolved service requests during and only during SDU Operations. Note that the Statements of Work require the SP to track closed Help Desk tickets and resolved service requests. The narrative in Section 7.1.3 describes the use of the closed Help Desk tickets and resolved Non IV-D Customer

Service service requests for purposes of compensation. The narrative is not intended to imply that the SPs obligation to track closed Help Desk tickets and resolved service requests is only dependent on their use for compensation. Other Compensation may include compensation to the SP related to change orders as agreed upon by the parties (updated with CR-3-00043).

7.1.3 Help Desk and Non IV-D Customer Service

The SP will provide an SDU Help Desk to respond to electronic payment and disbursement processing questions and problems, and provide a Non IV-D Customer Service Center (CSC) to support Non IV-D communications including Non IV-D customer service telephone calls and correspondence. The Help Desk calls will be direct from employers, CPs, NCPs and other states and referrals from LCSAs the Non IV-D CSC in Version 1 and referrals from the CSE Customer Service Support Center in Version 2. The Help Desk calls will generally concern the submission, receipt, authorization, or termination of requests for electronic payment services. When SDU Operations begins, the SP shall track call activities per the SDU Help Desk related SOWs and report closed tickets to the State. These closed tickets shall be the basis for SP Help Desk compensation. Help Desk tickets completed and closed will be paid on a per "Ticket Closed" transaction basis. Similarly, when SDU Operations begins the SP shall track and report Non IV-D CSC Service Requests. Non IV-D CSC Service Requests completed and closed shall be paid on a per "Service Request Resolved" transaction basis.

The SP shall bid a Help Desk transaction rate for each six month payment period during SDU Operations. The SP shall be paid an amount equal to the applicable rate bid times the actual number of tickets closed during an SDU Operations month. For compensation purposes a closed Help Desk ticket is defined as when the call of origin requires no further action by the SP. The SP shall report and the State will monitor Help Desk tickets closed.

The SP shall bid a Non IV-D Customer Service Center transaction rate for each six month payment period during SDU Operations. The SP shall be paid an amount equal to the applicable rate bid times the actual number of service requests closed during an SDU Operations month. For compensation purposes a closed Non IV-D CSC service request is defined as when the call of origin requires no further action by the SP. The SP shall report and the State will monitor Non IV-D CSC service requests resolved.

The Help Desk and Non IV-D CSC activities will be subject to meeting SLOs as defined in Section 6 of the RFP and the SP will be evaluated based on meeting those performance standards. These performance evaluations will be conducted as a part of the quarterly Balance Scorecard.

Refer to RFP Section 4 for more information on the SDU Help Desk and Non IV-D CSC SP roles and responsibilities. The SDU Help Desk and Non IV-D CSC roles and responsibilities along with the associated RFP Section 6 Statements of Work should be considered when developing the transaction bid rates.

7.1.4 Service Level Objective (SLO) Adjustment

Service Level Objectives (SLOs) are measurable performance requirements in RFP Section 6 Statements of Work. SLOs encompass both collection and disbursement activities ensuring that services are delivered timely and accurately. The SP is responsible for providing a daily report which includes collections and disbursements activity for all business transactions. Some of these business transactions reported may fail to meet SLOs as stated in the SOWs. These non-performance transactions should be included in the Daily Operations Report for collections and disbursements (SOW OM 1.2). Non-performance transactions will be subject to the SLO Adjustment amount at the rate bid per transaction for each specific SOW SLO missed. If more than one SOW SLO is missed by a single transaction, such as timely deposit and transmission of data to the State, then compensation shall be adjusted for both missed SLOs. SLOs can be found in Section 6 Statements of Work under Collections and Disbursements.

The number of non-performance transactions will be used to calculate the SLO Adjustment amount. This is computed on a per transaction basis using the reported number of non-performance transactions times the rate bid for each specific SOW SLO. This SLO Adjustment amount is deducted from the Baseline Compensation amount on a monthly basis.

7.1.5 Compensation Volumes

The Compensation volumes provided in Table 7-1 shall be used in preparing the bidder's Compensation Rate Schedule. The volumes shown apply, at a high-level, the implementation strategy, from RFP Section 4.5 CCSAS Implementation. These volumes are intended for bidding purpose only and are not intended to prescribe details of an SDU Operations implementation. Actual SDU operation volumes may differ. The estimated growth rate used for the collection and disbursement volumes is a combination of the Child Support Program projections and trend analysis over the term of the contract. The Compensation Volumes located in Table 7-1 for collections and disbursements are six month estimated volumes on an SDU operations year basis.

The State makes no warranties, express or implied, as to the accuracy of these volumes. No assumptions should be made based on this information. There is no guarantee that these volumes will remain constant or represent the volumes the bidder might actually experience in any of the years covered by the SDU contract.

7.1.6 Other Compensation resulting from Change Orders

This section addresses “Other Compensation” for services rendered by the Service Provider after the beginning of SDU Operations and that are the result of agreed-upon change orders executed by the parties to this Service Agreement.

7.1.6.1 Change Order CR-3-00043 – SDU Test Services

The State shall compensate the Service Provider \$25,115 for modification to the Version 1 check template as described in CR-3-00043. Compensation shall be paid upon State acceptance and verification of the required changes per CR-3-00043 of the Version 1 check template (added with CR-3-00043).

7.1.6.2 Change Order CR-3-00040 – Modify V1 Check Templates

The State shall compensate the Service Provider \$812,500 for additional SDU Testing Services as described in SOW IM 3.23. Compensation shall be paid upon State verification that the agreed-upon test scripts as described in SDU Test Environment Validation Description can be being executed in the State’s testing environment. The parties agree that the SDU Test Environment Validation Description will consist of one or two files of the type designated by the State (added with CR-3-00040).

7.1.6.3 Change Order CR-C-00052 – Non IV-D Collections

The State shall compensate the Service Provider for the adjustment of the Non IV-D collection approach, as more particularly described in Change Order CR-C-00052 which is incorporated into this Service Agreement, the total amount of \$6,165,744.00. This compensation shall be paid upon the Service Provider meeting the conditions as described in each of the compensation milestones.

Compensation Milestone 52-1 – Upon the State’s acceptance of the SDU Implementation Assessment Review 3 (“SDU IAR 3”), the State will compensate the Service Provider a total of \$2,000,000.00. The SDU IAR 3 acceptance checklist shall include:

- a. Update to SDU Interface Implementation Description for PMF changes IM 005-1;
- b. Update to SDU Implementation Plan IM 001;
- c. Update to SDU Outreach Plan IM 015;
- d. Update to SDU Collection Procedures CO 001-1;
- e. Update to SDU internal CE and DE User Training Guides if needed;

- f. Update to Internal job aides and procedures if needed;
- g. Update to SDU Operation Management Plan OM 001;
- h. Update to necessary and related testing scripts and documents to support CCSAS SVT and SQT related to SWS versions 1.3 and 1.3.1 only;
- i. Completion of outreach and EFT enrollment activities required by the CCSAS Schedule and as described in the Outreach Plan IM 015 as of the date of the SDU IAR 3 and;
- j. Initial redirection outreach support and installation of Avaya and Onyx ticketing system.

Compensation Milestone 52-2 – Upon the State's approval of the Employer Wage Withholding report generated from SWS to support employer redirection of Non IV-D payments confirming the initial completion of the clean-up of the FL 195 data as demonstrated in SDU Data Validation post SWS data load, the State shall compensate the Service Provider \$1,000,000.00

Compensation Milestone 52-3 – The State shall compensate the Service Provider for on-going outreach service in the amount of \$1,009,740.00 in twelve (12) equal and consecutive payments commencing one month after the issuance of the notice to employers to redirect their Non IV-D payments to the SDU.

Compensation Milestone 52-4 – The State agrees to compensate the Service Provider for the additional volume of Call Center and Electronic Help Desk Transactions that result from the adjustment of the Non IV-D collection approach in one (1) payment of \$1,856,004 to be divided into twelve (12) equal and consecutive payments upon the receipt of Non IV-D payments to the SDU and one (1) payment of \$300,000.00 to be payable July 1, 2007. In addition the State agrees to an amendment of the following transaction rates for the period of time beginning July 1, 2006 and ending July 31, 2007.

- | | |
|----------------|-------------------------|
| • Credit Cards | \$0.61 per transaction |
| • EFT | \$0.94 per transaction |
| • Paper Check | \$1.239 per transaction |

On August 1, 2007, the rates shall return to the rates previously contracted by the Service Provider unless otherwise agreed by the parties subject to a fully executed change order. The State also agrees to use the last quarter of the Non IV-D volumes as an indicator of the overall volume for Non IV-D. IV-D volumes will be based on the prior 12 month period.

7.1.6.4 Change Order CR-C-00053-03 – CCSAS V1 Schedule Revision

The State shall compensate the Service Provider for the delay of the redirection of IV-D payments to the SDU and the continuation of the Lockbox First Approach from the scheduled transition date of June, 2006 to July, 2006, the amount of \$617,200.00. This compensation shall be invoiced in accordance with the standard invoice process for the

month of July 2006. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

7.1.6.5 Change Order CR-C-00056-04 – Change Lost Angeles SDU Transition Date

The State shall compensate the Service Provider for the one month delay of the transition of Los Angeles County to the SDU from the scheduled transition date of April 1, 2006 to May 1, 2006, in the amount of \$317,931.43. This amount represents the estimated transaction volumes that would have resulted if there had been non delay in the transition of Los Angeles County to the SDU. This compensation does not increase the cost of the total SDU Service Agreement. This compensation shall be invoiced in accordance with the standard invoice process for the month of April 2006. This is a one-time payment unless otherwise agreed by the parties subject to a fully executed change order.

Table 7-1, Collection and Disbursement Volumes

Months	Collections Volumes					Disbursement Volumes	
	IV-D	Non IV-D	Check	EFT/EDI	Credit Card	IV-D	Non IV-D
Operation 1-6	0	499,827	444,846	54,981	0	0	499,827
Operation 7-12	4,476,975	2,408,915	5,933,302	938,620	13,968	2,968,568	2,408,915
Operation 13-18	7,834,707	3,800,733	9,079,077	2,531,919	24,444	5,194,993	3,800,733
Operation 19-24	8,598,479	4,112,500	9,320,918	3,363,234	26,827	5,701,431	4,112,500
Operation 25-30	8,598,479	4,112,500	9,320,918	3,363,234	26,827	5,701,431	4,112,500
Operation 31-36	9,140,000	4,371,500	9,907,937	3,575,046	28,517	6,060,500	4,371,500
Operation 37-42	9,140,000	4,371,500	9,907,937	3,575,046	28,517	6,060,500	4,371,500
Operation 43-48	9,679,000	4,629,500	10,492,363	3,785,938	30,198	6,418,000	4,629,500
Operation 49-54	9,679,000	4,629,500	10,492,363	3,785,938	30,198	6,418,000	4,629,500
Operation 55-60	10,221,000	4,889,000	11,080,085	3,998,025	31,890	6,777,000	4,889,000
Operation 61-66	10,221,000	4,889,000	11,080,085	3,998,025	31,890	6,777,000	4,889,000
Operation 67-72	10,732,000	5,133,500	11,634,086	4,197,931	33,484	7,116,000	5,133,500
Operation 73-78	10,732,000	5,133,500	11,634,086	4,197,931	33,484	7,116,000	5,133,500
Operation 79-84	11,268,600	5,390,175	12,215,790	4,407,827	35,158	7,471,800	5,390,175

7.2 **Balanced Scorecard (BSC)**

The Balanced Scorecard (BSC) is an SP management performance assessment. The assessment is used as a means to continuously monitor and improve performance, resulting in compliance with selected RFP Section 6 Statements of Work. The intent of the BSC is to mitigate the risk of poor management performance and maximize quality management performance for selected management SOWs.

The BSC is divided into four high level management categories for the purpose of SP performance assessment and scoring. The categories are Problem Resolution Management, Audit Management, Operations Management, and Implementation Management. These categories are closely mapped to SOWs within RFP Section 6 Statements of Work. Each of these four performance categories has been further defined by key attributes and factor questions in the BSC (See example RFP Exhibit 7C). These attributes and factors are used to guide the SP performance assessment using the BSC. A more complete list of factor questions will be developed in a BSC checklist and made available to bidders prior to contract award. In this approach, the State will evaluate the SP's performance in the following BSC Categories and Attributes as they pertain to the SOWs described in this RFP:

- 1) Problem Resolution Management
 - a) Timeliness
 - b) Accuracy and performance
 - c) Responsiveness, including Help Desk and Non IV-D Customer Service
- 2) Audit Management
 - a) Financial audits
 - b) Separation of duties
 - c) Operational quality assurance
- 3) Operations Management
 - a) Reports management
 - b) Systems management
 - c) Performance (e.g., unidentified payments, electronic payment goals, electronic fee charges) and change control management
- 4) Implementation Management
 - a) Responsiveness and turnover management
 - b) Testing
 - c) Schedule and Transition management

The State shall evaluate the SP's management performance for the previous quarter (3 months) using the BSC. The State shall have five (5) State business days after the end of the quarterly performance period to complete the BSC. The SP will be evaluated on the level of performance achieved during the quarter and graded as satisfactory or unsatisfactory using the RFP Exhibit 7C Balanced Scorecard. The BSC is divided into the four categories with attributes used for evaluating and measuring the performance against the selected SOWs. The RFP Exhibit 7C Balance Scorecard identifies

attributes for each of the categories to be considered when determining the SP rating. The BSC will only evaluate performance that the SP is obligated to perform as described in the SOWs. Each performance area evaluated will be given a Satisfactory or Unsatisfactory rating at the attributes level:

- 1) Satisfactory - For the area being evaluated, the SP met responsibilities and problems were satisfactorily resolved with minimal impact to timeliness and quality of processing.
- 2) Unsatisfactory - For the area being evaluated, the SP does not meet the standard for satisfactory performance.

These attribute ratings will be rolled up to the category level and it will be determined if the overall score for each category was satisfactory or unsatisfactory. Satisfactory ratings provided by the State on the Balance Scorecard may include identification of areas for the Service Provider improvement. Unsatisfactory ratings will require additional documentation to be provided to the SP regarding the exceptions rating received. If the State provides a rating of any Balance Scorecard attribute as unsatisfactory, the State will have an additional five (5) State business days to document specific actions required of the Service Provider to achieve a rating of Satisfactory. The SP may review documentation provided and contest unsatisfactory ratings using the dispute resolution process that can be found in RFP Exhibit 8M Service Agreement, Exhibit C #35 Disputes.

If it is determined that the SP's performance category was unsatisfactory during the quarter, a predetermined weight will be applied against the transaction earnings for the third month of the quarter and multiplied by the Adjustment percentage for each category, with a maximum of 5%. Each of the four categories is equally weighed with a weight of 1.25%. The result of the total Adjustment percentages for each category is then multiplied by that month's Baseline Compensation amount to reflect the total BSC Adjustment. This amount will reduce the Baseline Compensation only on a quarterly basis and be applied only to compensation in the third month of the quarter assessed.

7.3 Invoicing and Payment

The SP will invoice the State on a monthly basis. The monthly invoice shall be itemized and include only amounts due under the contract. The invoice shall include all costs to be charged to the State with regard to the successful performance of the requirements contained in the contract. The SP shall comply with each of the requirements of the specifications, terms and conditions, and payment for the performance of these requirements shall be made in accordance with the Compensation Rate Schedule within the contract. The SP shall include reported interest earnings on child support monies, if any, in its custody. No other charges will be paid by the State.

For compensation purposes, the SP shall invoice based on the volume rate associated with the total number of items (payments, etc.) processed during a given month. Fractions of percentages shall be rounded up to the nearest whole number when determining the rate to be billed per transaction against the estimated volume. (e.g., 9.5% would equal 10% and 9.4% would equal 9% to determine the applicable price rate, per transaction)

The State will verify the invoice and pay any undisputed amounts in accordance with the State's provisions for prompt payment. The State will have additional time to resolve any portions of the invoice that are disputed. At the State's option, the State may pay amounts in question and offset adjustments from later payments when the dispute has been resolved.

7.3.1 Monthly Compensation Calculation

The Monthly Compensation Calculation shown in RFP Exhibit 7B is a representation of the method to be used for SDU SP monthly compensation.

The State will reimburse the SP actual costs of postage for disbursements and other State authorized mailings during. These will be reimbursed under the category of reimbursements within the invoice.

The RFP Exhibit 7B Monthly Compensation Calculation is intended to be an example of what an invoice to the State may contain on a monthly or quarterly basis. The calculation covers baseline transactions (Collections and Disbursements), and Other Compensation transactions (Help Desk and Non IV-D CSC) adjusted for monthly non-performance transactions (SLOs), and plus reimbursements. In this example the State has applied the Balance Scorecard that shows how it would be calculated on a quarterly basis against compensation invoiced for the month.

- 1) Baseline Compensation – This is calculated by multiplying the Number of Collection (for each type) and Disbursement Transactions by the appropriate Collection and Disbursement Transaction rate and entering the total in the

Amount Payable Column for each transaction type. The Collection and Disbursement Amount Payable totals shall be added together and entered in the Baseline Compensation Sub-Total box.

- 2) Other Compensation – This is calculated by multiplying the Number of Other Compensation Transactions by the appropriate Other Compensation Transaction rate and entering the total in the Amount Payable Column for each transaction type. The Help Desk and Non IV-D CSC Amount Payable totals shall be added together and entered in the Other Compensation Sub-Total box.
- 3) Monthly Compensation Sub-Total – This is calculated by adding the Baseline Compensation Sub-Total and the Other Compensation Sub-Total and entering the total in the Monthly Compensation Sub-Total box.
- 4) Service Level Objective Adjustment – This is calculated by multiplying the total number of Transactions Not Meeting SLOs by the appropriate Adjustment rate and entering the total in the Amount Payable column for each SLO type. The SLO Amount Payable totals shall be added together and the total is entered in the SLO Adjustment Sub-Total box.
- 5) Adjusted Baseline Compensation Total – This is calculated by subtracting the total amount in the Service Level Objective Adjustment Sub-Total box from the Monthly Compensation Sub-Total box.
- 6) Reimbursement – This is calculated by multiplying the Number of Mailed Items by the Actual per Item Postage Cost and entering the total in the Amount Payable column. The sum of the Postage Reimbursement Amount Payable column shall be entered in the Reimbursement Compensation Sub-Total box.
- 7) Monthly Compensation – This is calculated by adding the amount in the Adjusted Baseline Compensation Total box to the amount in the Reimbursement Compensation Sub-Total box.

In addition to the Monthly Compensation Invoice, on a quarterly basis the State shall prepare the Balanced Scorecard to evaluate SP performance for the last three months as described in Section 7.2. If one of the BSC Attributes receives an unsatisfactory rating, Compensation for the month shall be offset using the following calculation:

- 8) Balanced Scorecard Adjustment Sub-Total – This is calculated by multiplying 1.25% by the Adjusted Baseline Compensation Sub-Total for each BSC Attribute receiving an unsatisfactory rating during the last three months and entering the total in the Balanced Scorecard Adjustment Sub-Total box.
- 9) Total Monthly Compensation (less BSC) – This is calculated by subtracting the amount in the Balanced Scorecard Adjustment Sub-Total box from the amount in the Monthly Compensation box.